The MORTGAGE BANKER

VOLUME II—No. 3 MBA MORTGAGE BANKERS ASSOCIATION OF AMERICA ORGANIZED 1914 FEBRUARY 1, 1940

Here's What to Expect at MBA's Mortgage Clinic

A Board Member Explains the Benefits You Will Derive from This Conference

By BYRON V. KANALEY

MBA's forthcoming Mortgage Clinic marks a most important forward step in the many fine things the Association has done for the nation's mortgage business. Byron T. Shutz, president, George H. Patterson, secretary-treasurer, the executive committee, and the board of governors are heartily behind this unique one-day business session devoted to, and entirely conducted by, our own members.

I feel sure that every member attending will be more than compensated for the time and money expended.

The entire day will be devoted to our own individual problems. Everyone can submit that problem nearest to him. He can discuss it and hear it discussed as freely as in a family circle. He will have it clarified by the workings of many minds on the subject. In these days of unforeseen and heretofore unthought of policies and situations, it is of tremendous importance to hear how other people in our field of banking propose to meet and solve their problems.

This Clinic will fill a need that the MBA National Convention does not. The annual meeting is a fairly formal affair, and necessarily so. It is one at which men from all over the United States are gathered, in different meeting rooms, with set programs, and necessarily with little time for informal, full and frank discussion. The Clinic is designed to let every one have his say, to ask and answer questions. It's a Town Meeting at which you yourself can preside if you desire.

BYRON V. KANALEY

From the great interest already shown, this is going to be a big meeting and an extraordinarily worthwhile one.

One significant subject will revolve around how mortgage lenders can better serve borrowers and how we, in turn, can conduct our own business affairs more economically.

I presume some will talk about the new FHA Title I, Class 3, low cost houses. It may well be that this, if carried out on a large scale, will affect not only those who participate in it, but also those who do not.

Truth in advertising, and the proper representation by solicitors, ought to bring out some pungent and exhilarating observations. If there have been cases of lenders taking applications on one basis, hoping later to close the loan on another basis, presumably these will come up for thorough discussion.

For those making a good volume of construction loans, the proper supervision of them, safeguards against liens, seeing that the properties are built according to the plans and specifications and not skimped, the placing of construction funds into a trust account, standard accounting forms, etc. are likely to get a full hearing.

Appraisals and appraisal methods undoubtedly, will come in for their share of the day. These are subjects that a great deal of time could be devoted to. We expect to cover the most important phases of them at the Clinic.

It is reported that the governmental agencies and sub-divisions may reduce government-financed construction in

(*Continued page 7, column 2*)

ALL ABOUT THE MORTGAGE CLINIC ON PAGES 5 AND 6

A Comparison of Mortgage Profits in the Twenties and Thirties

For the Mortgage Man Making His Plans for the Forties Decade, We Think This Article Is A Very Significant Guide

By FRANK L. WILKINSON

MANY mortgage dealers (same persons as" mortgage bankers" around Convention week) have already closed their books for the Thirties. Others are still in the process of closing them. Whether we fall into the first class or the second, we all have some very definite and recent conclusions about the problem of trying to make a profit out of the mortgage business of the nineteen-thirties. It was a tough job.

Our MBA secretary suggested that this would be an excellent idea for an article. He may belong to that school of historians who hold that we can tell how to act in the future by a study of how people reacted in the past.

The apparent changes in the mortgage business are partially exemplified by the changes in our own company. During the Twenties (plus 1918 and 1919), Shryock, operating almost exclusively within the limits of Kansas City, Missouri, and Kansas City, Kansas, put a little over $40,000,000 of small single-family loans on insurance company books. Three-fourths of our employees were engaged in that job; now 81 out of our 103 employees are primarily engaged in the property management business. Only four of that number are primarily occupied in the *production* of mortage loans. A few others in the accounting department, of course, under the steadily increasing detail required both by individual and by the governmental agencies, are required to devote most of their clerical time to the servicing of these loans. There's one significant change!

It seems proper to inquire if Kansas City is a fair test of general conditions over the United States. I accordingly entered into a plan with Mr. Patterson and others whereby 16 of the leading mortgage loan concerns in different parts of the country were persuaded to contribute information toward broadening this article.

Two established mortgage houses along the Atlantic; four in the Far West; nine in Central United States, (divided five East of, and four West of, the Mississippi River); and one in the far South, were enlisted into the search for experience data. Their responses were surprisingly generous. Many spoke directly to the point. A few who were the most pointed in their observations, did not wish to be quoted, but had no objection to the use of their ideas.

IN many respects, this is the most important article The Mortgage Banker has been privileged to publish. Mr. Wilkinson set out to make a comparison of profits in the operation of a mortgage business during the Thirties with that of the Twenties. He solicited the views of 16 well-known companies, tabulated their views—and here are the results—some surprising and interesting results, incidentally. But most important of all, what he has found constitutes a sort of guide for doing a profitable mortgage business during the Forties. Mr. Wilkinson is president of the Shryock Realty Co. of Kansas City, established in 1889 and which celebrated its golden anniversary last year. He is an MBA member.

The simple fact that out of the 16 established firms questioned, the chief executives of all companies saw fit to submit their views. This alone reflects the interest in the subject.

These are the four questions which were asked:

1. *Was your company doing a general mortgage loan business in the Twenties? Yes___No___.*
2. *In your lending territory is there now, in your judgment, a profitable field for a loan company handling loans exclusively? Yes________ No________.*
3. *In what ways are the main functions of your business different from what they were in the Twenties? Remarks:*
4. *In the event your answer to Question 2 is negative, what must the formerly successful loan company of the Twenties do to keep its doors open under 1939-40 competitive conditions? Remarks:*

One surprising result which can be drawn from the answers to these questions is their *unanimity*. Localism plays practically no part in the analysis of either the operating costs or the operating effects of present mortgage loan conditions. Although all of us have heard time and time again, both in conventions and in formal gatherings, "Our conditions are peculiar in___________," there is no peculiarity in the answers to this short questionnaire.

For example, each company but one answered "Yes" to the first question. The experience of 14 had carried continuously through all of the Twenties and all of the Thirties.

To the second question, *all but four agreed that there was no profitable field in their lending territory for a loan company handling loans exclusively.* These four, however, did believe that, in case of a long established concern, there was still room in their territory for a loan company handling loans exclusively. One of these was in Chicago, one in St. Louis, one in Washington, D. C., and one in Kansas City.

The Washington, D. C., loan company epitomized in a fair way their qualified "Yes" to the second question by saying:

> "In our lending territory there is a profitable field for a loan company handling loans exclusively *provided it already has an appreciable quan-*

tity of business on the books and would not have to start off from scratch."

From St. Louis comes the comment:

"An exclusively loan company can only make ends meet with proper handling of construction loans and FHA loans. The profit in construction loans has dwindled to a fraction of the past, and the rate of risk is out of proportion to the rate of profit."

The Shutz View

It was in the answers to questions 3 and 4, that a certain unanimity of conclusion was reached. The conclusion of Byron Shutz, as Executive Vice-President of Herbert V. Jones & Company, of Kansas City, is typical:

"Competition for good loans has become so strenuous that some engaged in the mortgage business have not given proper consideration to the cost of acquiring new business, and the cost of servicing same if they conscientiously carry out their obligation during the period of the loan. The main functions of our business have changed so materially that we have found it not only advisable, but necessary to provide additional sources of income, and for that reason have developed a Property Management Department, Rental Department, Lease and Sale Department, Insurance Department, Appraisal Department, and have recently opened a branch office for the sale of small residential and suburban properties".

A highly successful loan company in Chicago writes:

"The main difference is long term loans vs. short term loans. Now we have small commissions or none at all. The servicing fee must carry the overhead *plus* a profit. More detail is now caused by investors, borrowers and government. We believe that to keep our doors open we must find and develop a market for good, unusual loans, such as gas stations (well leased), theatres, garages with good history, factories with good management, etc. Here lies profit and service to the community".

From the national capitol, we learn:

"The days of cash commissions appear to be past, and the expense of making a mortgage loan has now been shifted from the borrower to the lender, brought about by the lender finding it necessary for him to accept a lower return on his mortgage, inasmuch as he has to allow a differential to the mortgage house on the interest collected."

A former president of the Mortgage Bankers Association writes:

"In the Twenties we were able to get a 3 percent commission on loans on existing construction and 5 percent on new construction, and 6 percent interest. During that period when these commissions were paid, many loan correspondents sold loans without a participation, depending entirely upon commissions. Commissions are now out in this territory and to meet competition offered by large banks and some of the insurance companies, 1 percent must be paid for acquisition."

ALL but four participating in this forum said there was no profitable field in their lending territory for a company handling loans exclusively . . . Total compensation today is not more than 40 percent of that of the Twenties—and, in itself, is not enough to support a mortgage loan business . . . Loan companies have kept their doors open by setting up active property management, insurance appraisal and main-and-branch-office sales departments. These are a few of the highly interesting points that Mr. Wilkinson emphasizes in his study. The Mortgage Banker will greatly appreciate letters from members on this article—letters of any length and with permission to publish (with or without names). Haven't you a postscript to add to Mr. Wilkinson's piece?

As far as the Shryock experience is concerned, our conclusions run parallel not only to other mortgage businesses, but to other businesses in general. In the first place, the mortgage field was much wider in the Twenties than in the Thirties. In the Twenties, nearly every property was a prospect for refinancing. By 1920, prices of properties were so much higher than before the war, and mortgages could be made correspondingly so much larger, that there was a temptation for every property owner to refinance. New construction came in to pyramid the new financing. Here, every new loan carried a cash commission of 2½ percent, and every five year renewal, a cash commission of 2 percent. On top of this, one early bird among insurance companies, at the same time they set up the monthly payment loans, also allowed a ½ of 1 percent interest participation to their correspondent.

The result was simply that there was such immediate and substantial compensation, both present, in the way of cash commissions, and prospective, in the way of differentials, that the successful mortgage loan company did not handle any other business but loans, simply because their loan compensation cup was overflowing.

In the Twenties, over the country as a whole, it would seem that all loan commissions, including construction, new and renewal loans, would average five to seven years with commissions of 2¼ percent. With a loan business unit measurement of $1,000,000 in loans a year, this cash income would net $22,500 a unit. All other compensation, such as interest differential or compensation from the insurance department, was cumulative. The Twenties, certainly prior to 1929, were lush years for the loan man.

Treacherous Thirties

Now for the Thirties. Taking the same unit of business as a measuring stick, $1,000,000 in new or renewal loans a year, what was the compensation of the Thirties? In the first place, the million dollars of annual business was much harder to get. There was a very limited production of new properties and the market for mortgages on anything but properties of comparatively recent construction was very restricted. Whereas the prospect for renewal in the Twenties was that a successful company could count on renewing 75 percent of the business then on his books, the double effect of refinancing and foreclosures in the Thirties was that the most successful company could not hope to renew more than one-half of the business then on its books. The cash commission rate at first dropped to 1 percent, where it held for a period, and still holds to a small degree. For most of the country, on any business save FHA, it has simply faded out altogether.

(*Continued on page 7, column 2*)

Single-Family House Rents Are Going Up in 1940

And So Are Apartment Rents Insist MBA Members in This Latest Forum of Opinions Taken from Our Study

THERE is a better than even chance that rents for single family houses and apartments will be higher this year than last.

This opinion is based on our study which shows that 65.8 percent of replying MBA members in 64 cities in 31 states expect higher house rents in 1940, 33.3 percent anticipate no rise, with less than one percent in doubt about the trend.

As to apartment rents, 53.8 percent of the members replying expect a gain while 41.8 percent foresee no appreciable rise. On this question, 4.4 percent voted no opinion.

The greater prospect for a rise in house rents is only natural because the greatest deficiency in new construction in the past decade has been in this type of housing, in the opinion of President Byron T. Shutz.

Members in Eastern states expressed the strongest opinion—85 percent—for a gain in house rents. By geographical sections, the prospects for higher house rents were:

MBA Members in:	*Rent Gains Expected*	*Expect No Rent Gain*	*In Doubt*
33 Mid-West cities	63.1%	35.5%	1.4%
13 Eastern cities	85	15	
10 Southern cities	50	50	
8 Far West-Mt. cities	76.8	23.2	

As with house rents, prospects for higher apartment rents are most likely for the Eastern states, the study shows. By sections the opinions were:

MBA Members in:	*Apt. Rent Gain Seen*	*No Rent Gain Seen*	*In Doubt*
33 Mid-West cities	56.6%	38.2%	5.2%
13 Eastern cities	65	25	10
10 Southern cities	35	65	
8 Far West-Mt. cities	46.1	53.9	

"Rents for single-family houses and apartments would have to stage a really sensational rise—which they will not do, of course—to bring this factor of the business index into line with other factors in our economy," Mr. Shutz said. "Very few people realize, I think, that rent gains have lagged since the start of recovery in 1933. Rents represent the one conspicuous item that has not recovered in proportion to other costs.

THERE is a good chance of increases later this year in single-family house rents — and a pretty fair chance for gain in apartment rentals. So say our members and their views seem to be fully confirmed by recent opinions from statistical agencies. This is the fourth article in The Mortgage Banker on our recent statistical study. The second part presented here has to do with building labor. It would appear that if a really substantial volume of new construction develops soon, there won't be a sufficient amount of skilled labor to handle it. Reason: few apprentices have been trained during the past decade.

"Indications for a further rise this year do not take this into account, of course, but merely reflect the growing need for more housing and the deficiency of new housing built in recent years. Under such conditions increases are inevitable."

Rents, incidentally, didn't do exactly what they were expected to do in 1939. Most observers expected an appreciable rise. Latest available figures, those of the National Industrial Conference Board, show that rents in December were 0.1 percent lower than in November but 0.5 percent higher than a year ago.

That sort of gain in 1939 was hardly what had been looked for at the close of 1938.

Turning from rents to building labor, it seems to be true that when a really substantial volume of new building develops in this country there may not be sufficient skilled labor to handle it.

Replies show that 70.5 percent of the members replying say that because so few apprentices have been trained in recent years there is not a sufficient supply of skilled labor available to handle what would be considered a normal volume of new construction in their communities. The opposite view was taken by 25.5 percent of the members who declared that sufficient skilled labor is available. Four percent ventured no opinion.

Shortage would apparently be felt most in Eastern states although the opinions expressed were fairly uniform over the entire country. By sections, these opinions were:

MBA Members in:	*Foresee No Shortage Skilled Labor*	*Expect Shortage*	*Had No Opinion*
33 Mid-West cities	25.1%	69.7%	5.2%
13 Eastern cities	25	75	
10 Southern cities	25	70	5
8 Far West-Mt. cities	30.8	69.2	

"For well over a decade relatively few young men have entered the building industry and the many branches of it because of depressed conditions," said Mr. Shutz. "It is only natural that should a really substantial volume of new construction develop, and by that I mean a normal volume, there might be a shortage of skilled craftsmen.

"It seems clear then that when building recovery really sets in, this industry will play a large part in solving our unemployment problem."

Association ACTIVITIES

★ NEWS OF WHAT'S HAPPENING AMONG MBA MEMBERS AND OUR LOCAL ASSOCIATIONS

MBA NOTES

The 1940 Membership Drive, with emphasis on closer cooperation of MBA with our local associations, is going into high gear. As this issue of The Mortgage Banker goes to press (a little early because of the Clinic) these events are reported:

Byron V. Kanaley is speaking January 25th at the regular monthly meeting of the Mortgage Bankers Association of St. Louis. Mr. Kanaley is head of Cooper, Kanaley & Company and one of our board members in Chicago.

R. O. Deming, Jr. board member from Oswego, Kansas, is scheduled for an address before the Nebraska Mortgage Bankers Association.

Guy T. O. Hollyday of Baltimore spoke January 19th before a meeting of the Birmingham Mortgage Bankers Association. Mr. Hollyday is heading the Membership Drive this year.

George H. Patterson, MBA secretary and treasurer, spoke at the Hotel Plankington in Milwaukee, January 25th, before a group of mortgage bankers of that city assembled at the suggestion of Hugo L. Porth of Ed. Porth & Sons and our board member from Milwaukee. The meeting was held with a view toward organizing a local mortgage bankers association in that city.

As previously reported, the Minneapolis Mortgage Bankers Association meets February 7th for their annual meeting with both President Shutz and Secretary Patterson on the program. There will be a noon meeting on the same day of the St. Paul Mortgage Bankers Association. More detailed reports of these meetings will appear in the next issue.

EXPECT NEARLY 200 AT FIRST MBA MORTGAGE CLINIC

The success of MBA's first Mortgage Clinic seems definitely assured, judging from the large anticipated attendance and the enthusiasm with which members are cooperating in submitting topics for discussion.

It is thought that at least 175 to 200 will be on hand when the session begins at 10 o'clock in the morning of February 10th.

Here are some highlights of the meeting that are worth repeating:

(1) There will be *no* registration fees—no expense of any kind except your personal expenses in coming.

(2) Otherwise, it will be handled much like a national convention: you will register, receive a badge, etc.

(3) The session will last all day with a buffet luncheon served on the same floor as the meeting hall.

(4) The meeting hall will be arranged with tables and each member will be given a pad and pencil to take notes. The exact arrangement will be much like that of the Senate Chamber in Washington—semi-circular and well adapted to a meeting of this kind.

(5) At least three members will be asked in advance to study one particular subject so that discussion of every topic will start immediately with no time wasted in preliminary skirmishes.

(6) At the end of the morning and afternoon sessions, some member (to be announced later) will make a quick, yet comprehensive resumé of the principal points brought out in that session. These briefs will be recorded for future study and reference.

The response to the Mortgage Clinic has been so favorable that already some members are asking that similar ones be repeated soon in various parts of the country. It is likely that this may be done. Hence, an announcement that another will be held in a few weeks should not come as a surprise.

Some are already pointing out that the Clinic holds the possibility of establishing for MBA what the regional conventions have for the real estate group, what the sectional banking conferences have for the IBA and ABA.

Yet the Clinic idea, as it is being perfected for this Chicago meeting February 10th, offers to mortgage banking and the Association members something they could not hope to get from a duplication of these regional and sectional conferences. In short, it would appear, from all present indications, that MBA has hit upon an idea which successfully complements our present national meeting yet, in no way, conflicts with it.

One thing seems certain: MBA members want more and more intimate "shop talk" meetings. They want to sit down and find out what others are doing—and how they are doing it. They want to dispense with the generalities and get down to the realities of the business.

President Shutz was impressed with the many expressions of opinion to this effect and deliberately sought something that would meet the need. The Mortgage Clinic seemed the natural obvious answer. That it *was* the obvious answer seems certain from the present response.

If you haven't made your plans to come, *do so now* because we can assure you—*with a great deal more assurance than we could in our last issue* — that you will not *regret* coming. Remember: It's February 10th at Hotel Knickerbocker in Chicago. We'll make your hotel reservation if you'll request. *Don't miss the Clinic!*

"The chief unfavorable factor in the building outlook for 1940 is the recent tendency for building costs to rise. The cost index, on the basis of 1926 as 100, is up from 104.2 last may to 106.7.

"This upward trend of costs is particularly unfavorable since costs relative to rents were already too high before the rise started. The rent index in November, the latest month for which a figure is available, was only 85.6, or far below the index of building costs."

—Alexander Hamilton Institute.

CMBA DEVISES A NEW TRUST DEED

The Chicago Mortgage Bankers Association, largest MBA local, might also lay claim to being about the most active MBA local recently.

It has just completed devising an Installment Mortgage Note and Trust Deed to be used with this note. It has been copyrighted and arrangements have been made with a leading Chicago stationery store to place copies on sale. The CMBA hopes that this new simplified form will become standard in its territory. The CMBA bulletin declares that:

"The purpose and intent of this development was to attempt to standardize lending practices so as to facilitate trading and sale of mortgages without requiring as close scrutiny of the form of document by the prospective purchaser, as has been necessary in the past. It is hoped that these forms will be used as widely as possible by the members of the Association and their use encouraged wherever possible."

The committees responsible for the work accomplished, both headed by C. A. Zoll, are: Drafting committee consisting of Walter Cohrs, Aaron Colnon, George H. Dovenmuehle, Leroy F. Pape, Kenneth Rice, Keith Sheckler, Robert Wingard and Leon Wolff.

The policy committee consists of George H. Dovenmuehle, Harold Moore and Sheldon Weaver.

MBA members wishing a copy of the trust deed or installment note forms should write the headquarters office.

That isn't all CMBA is doing right now.

On January 25th the group's Appraisal Division meeting was held with James C. Downs, Jr., well-known Chicago real estate man, as the speaker. A colored picture was presented, produced under Downs' guidance and showing the technique of modern property management.

It was a presentation of the latest systems of maintenance for both structural and interior appointments, including, among other things, decorating, labor control and illustrations of methods designed to maintain a high occupancy ratio at substantial rentals.

Meetings like this may carry a suggestion to some of our other locals.

Some of the Problems for the Mortgage Clinic

Since we can't give you a conventional program, the next best thing is to tell you some of the subjects that will most likely be talked about at the Clinic.

Here are some of the questions that have come in so far. We can't say, of course, that all of these will get a hearing. But they will give you an idea of the type of thinking that is occupying members' minds. Here are 21, selected at random:

1. "How can we meet the building-and-loans' competition when they are often willing to loan practically as much on uninsured loans as under the FHA plan?"

2. *"Should every mortgage broker have complete real estate facilities for selling and renting properties and should he be in a position to do reconditioning jobs?"*

3. "What can we do about ridiculous prepayment privileges, misleading advertising, portfolio raiding, etc?"

4. *"Should some effort be made to have the activities of building-and-loans and the FHA coordinated under some set of standard rules?"*

5. "What is the best method of paying mortgage salesmen—all cash salary, commission only, or part salary and part commission with a limitation of total monthly income?"

6. *"What is the best method to use to prevent a loss on a 5% FHA loan when the borrower insists on rate reduction?"*

7. "What is the best method to use to prevent raiding by others of 5% loans when lower rates are offered?"

8. *"How can we meet the competition of those who pay premiums or commissions to lumber yards, contractors, real estate agents, architects and even to the borrowers themselves?"*

9. "What is an adequate spread and premium commensurate with the cost of servicing loans?"

10. *"Is the FHA 4½% rate likely to continue and would a further reduction make bonds considerably more important for insurance company holdings?"*

11. "What should be our stand on competitors soliciting mortgages more than a year in advance of their expiration, offering to give the borrower a commitment at the time—4½% and no commission, borrower to write his own fire insurance and be given unlimited prepayment privileges?"

12. *"How can mortgage men make, not necessarily more mortgages, but more net profit from those they handle?"*

13. "What essential steps should be taken to return the mortgage loan business to qualified mortgage bankers and keep it there?"

14. *"How can we educate the borrowing public to the idea that mortgage bankers' fees and charges are earned and not charity?"*

15. "How can we cut down the amount of detail required in present-day mortgage servicing?"

16. *"Will the Federal National Mortgage Association renew the present servicing agreement?"*

17. "What is the general attitude toward Title I, Class 3, loans—will we be compelled to make them?"

18. *"With the thought that mortgage bankers are not as completely organized nationally as they might be, should an effort be made to bring into the MBA practically every mortgage banker in the country?"*

19. "Is it true that FHA has taken over the mortgage banking field 'lock, stock and barrel' and that mortgage men today are almost in the class of loan solicitors?"

(Continued page 7, column 2)

The MORTGAGE BANKER

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BYRON T. SHUTZ.. *President*
DEAN R. HILL.. *Vice President*
GEORGE H. PATTERSON.................. *Secretary-Treasurer*

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FEBRUARY 1, 1940

This Means You

We've been urging MBA members to write articles for The Mortgage Banker and send them in—and none has come through in better fashion than Frank Wilkinson of Kansas City. His initial contribution to these pages is in this issue. Read it and see if you do not agree that it is the type of thing you would like to see every month in The Mortgage Banker.

We single this particular one out because we think it is typical of the sort of article we believe you like. It is by a mortgage man, about important matters and written for the mortgage man—be he the head of the company or its newest man.

We believe that practically every member has in him a contribution of this sort and that he will get a great deal of satisfaction in seeing it appear here. For one thing he will know that he has helped the Association in its work.

We do not visualize The Mortgage Banker as a magazine—one that competes in any way with commercial publications, or those sponsored by government agencies. We think of it purely as a semi-monthly service to our members—a publication in which they can say what they please and as they please to say it.

So after you've read the Wilkinson piece, we shall be glad to have your contribution on any mortgage subject you think will interest our members.

Wilkinson Compares the Twenties and Thirties

(Continued from page 2)

At the same time, the average loan period lengthened out from five and seven years to fifteen and twenty years. This lengthened period, at least up to that point when the monthly payment loans are so reduced in amount that the borrower will desire to pay off principal and increase his loan, will practically wipe out renewal commissions.

These developments made imperative, of course, a new source of compensation. This compensation came originally in the ½ of 1 percent differential, now lengthened under many circumstances to ¾ of 1 percent interest differential for servicing. The collateral insurance commission compensation still turns in its profit, even more welcome now than in the Twenties.

The general conclusion seems to be that such total compensation as now exists *is not more than 40 percent of the compensation of the Twenties, and is not sufficient of itself to support a mortgage loan business.*

The practical outcome of all of the above seems to be unanimous. From coast to coast, with a few exceptions, *the loan companies have kept their doors open by setting up active property management, insurance departments, appraisal departments, and main and branch offices for sale purposes.* They have done what seems to have been more or less common with what mercantile, manufacturing, merchandising and other businesses have done—*offset materially curtailed unit profit by expansion of business under considerably narrowing profit.*

As a whole, they are now accepting these two practical conclusions:

1. *Not to accept business unless it can be secured on at least a self-supporting basis.*

2. *Such business having been accepted, then developing to 100 percent every possible legitimate collateral profit and side-line.*

In the event these conclusions are sound to any extent, it seems clear that one vital operating aid can be given by The Mortgage Banker—*help convince our own membership that in the end, all will lose by accepting business at less than the cost of handling.*

Clinic Problems Suggested by Members

(Continued from page 6)

20. "*Should we try to keep the large institutional investors from considering applications from out-of-state brokers?*"

21. "Ethics — more ethics — and still more ethics is a crying need in mortgage banking today."

Byron Kanaley's View on Clinic Importance

(Continued from page 1)

1940 — a development which will create a great opportunity to private lenders and operators. Solutions for the financing of so-called "one-purpose" projects present a wide field and will be discussed at the Clinic.

All in all, it should prove a very profitable day. In fact, it's only a *half day* of your time—it's Saturday. When you come away from the Clinic, it will be with a feeling that you know your neighbor better. You may not *like* him better, but you will know him better, what he is thinking, how he tackles these common problems.

The success of the Clinic is assured. Nothing that the MBA has ever done for its members awakened the interest evidenced by the letters and telephone calls that have come into Secretary Patterson's office. The date is Saturday, February 10th, the Hotel Knickerbocker; the time, 10:00 A.M., or any time during the day you can come. You can get right into the middle of a discussion any minute from ten to five.

W. J. BASHAW ELECTED NEW PRESIDENT OF OKLA. MBA

IOWA MBA MEETS AT DES MOINES

One of the best of the annual meetings of local MBA chapters was that of the Iowa Mortgage Bankers Association in Des Moines, January 26.

C. W. Mead, President of the Nebraska Bond and Mortgage Company of Omaha, and member of the MBA Board of Governors, made one of the principal addresses at the meeting.

Registration began at one in the afternoon, followed by an address by John M. McGill of the Equitable Life Insurance Company of Iowa, on "Why Insurance Companies Invest Largely in Real Estate Mortgages."

Ralph Bunce, Deputy Superintendent of Banking of Iowa, spoke on "Real Estate Loans for Bank Investment," followed by Oscar A. Brandt, State FHA Director, whose subject was "FHA Regulations" with emphasis on Title I, Class 3 loans.

Joe L. Long, Executive Secretary of the Iowa Taxpayers Association, told the mortgage men what they are doing to increase their real estate taxes. (Yes, you read that correctly — what mortgage bankers are doing to increase their taxes.)

The business meeting followed and in the evening there was a dinner at Hotel Savory where the business sessions were held.

The closing feature was an address by Judge Frank B. Hallagan, Lieutenant Colonel and Judge Advocate of the Iowa National Guard, who told what the state is doing, in a military way, for the defense of the nation.

This program appears to have been one of the best arranged in some time by a local MBA association. We expect to present, in condensed form, some of the addresses given.

MORE ON CMBA

The Chicago MBA, some of whose activities are reported in this issue, announces another meeting for February 15th, sponsored by its FHA group. It is scheduled for the Hotel La Salle and Abner Ferguson, General Counsel and Assistant FHA Administrator, will give the principal address.

W. J. Bashaw, manager of the Tulsa office of the Mager Mortgage Company of Oklahoma City, has been elected president of the Oklahoma Mortgage Association succeeding Howard Moffitt, vice president of the Realty Mortgage and Sales Company of Oklahoma City.

Robert E. Adams, senior member of the partnership of Adams and Leonard of Tulsa, was elected first vice president and Luther M. Miller, vice president of the Albright Title & Trust Company of Newkirk, was elected second vice-president. Raymond McLain, Jr., was re-elected secretary and treasurer.

The U. S. in Real Estate

This annual meeting was one of the best the Oklahoma group has ever held. The principal address was delivered by President Byron T. Shutz. He said in part:

"It is time for the government to begin making its exit from the home loan field.

"The point is that the emergency is over—and these governmental activities in private business are beginning to look too permanent.

"A serious drying up of mortgage funds from insurance companies and other large investors is impending unless the Federal Housing Administration increases the interest rate from 4½ to 5 percent.

"The USHA hasn't accomplished its purpose in any way: it hasn't eliminated slums; it is financing expensive projects, and one of the prime requisites of the tenants is their ability to pay the rent."

He praised the FHA for stabilizing mortgage practice, raising and standardizing appraisal standards, providing important vital statistics in the building industry. He said that it may be a permanent, controlling factor in the residential financing field.

"If they are to take the lead, however, they (FHA) must bring home financing terms within sound limitations. Loans made for 25 years, with a down payment of only 10 percent might pay out if there is a continually rising real estate market and continually improving conditions.

"But the FHA terms are not sound over an indefinite period, in my opinion. We had some amortized home loans before the last depression, and we had a lot of trouble on loans where we lent only as high as 56 percent of the total value. A bad jolt in the real estate market would probably crumble the whole FHA insured mortgage structure."

He said he believed that it is imperative for the FHA to restore the 5 percent interest rate if reserve funds of insurance companies, savings banks, etc., are to continue as a source of home financing money.

"State laws require these companies to make 3 to 3½ percent interest as a rule on their reserves. It usually costs about 1 percent overhead to run the lending departments, so they must 'wholesale' their money to local agents at 4 to 4½ percent interest.

"These agents draw a commission of ½ of 1 percent. Therefore the minimum interest rate which can be charged, and still attract these big financial institutions, is 4½ to 5 percent.

Has Praise for HOLC

"Many of these companies will have to stop buying FHA mortgages unless the interest rates are increased. I heartily agree that interest rates should be as low as reasonably possible, but below a certain point the incentive for saving and investment is taken away."

He said that as far as the HOLC was concerned he has nothing but praise—"until they begin to talk about making it, too, a permanent agency."

"The HOLC was a fine thing, at a time when the depression threatened to take away the homes of thousands of families. The operation has been efficient and it is paying out as well as could be expected, considering that its clients had to qualify by showing they could not pay the interest on their old mortgages."

A DENVER NOTE

While Denver does not have a local MBA association, A. D. Wilson, our Board Member in that city, reports that meetings of various leading mortgage men are being held there twice each month for round table discussions of common problems.

NEW JERSEY MBA

John C. Thompson, of Newark, President of the new Mortgage Bankers Association of Northern New Jersey, reports the second meeting of this chapter and some definite progress being made in starting its activities.